



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Further correspondence to Governor Wilson regarding Educational Revenue Augmentation Fund

MEETING DATE: July 2, 1997

PREPARED BY: Assistant to the City Manager

RECOMMENDED ACTION: That City Council approve the attached letter for Mayor's signature and submission to the Governor.

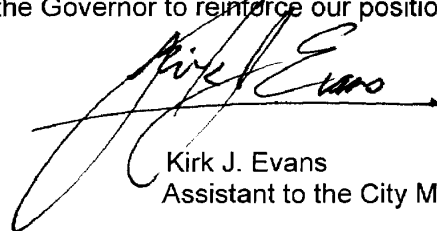
BACKGROUND INFORMATION: Two months ago, City Council sent a letter to Governor Wilson urging his support of **AB 95 (Sweeney)**, **SB 880 (Craven)**, and **ACA 4 (Aguiar)**. These bills are designed to arrest growth of Educational Revenue Augmentation Fund (ERAF) transfers at current year levels. Then, with the passage of time, these transfers will be incrementally diminished until they disappear.

The intent of constitutional amendment ACA 4 is to serve as a fall back mechanism should the Governor refuse to sign the bills. He has repudiated similar bills in the past, despite the fact they received full bipartisan support. His rationale is that a complete package of local government finance reform must be developed before any major revenue shifts can take place in California. This begs the question, why was it acceptable to implement a major revenue shift in 1992-93 when no such package existed? With the state now in full economic recovery, why can we not revert back to the structure in place before 1992-93 while we wait for this ideal package?

For the upcoming year, the League of California Cities is lobbying for inclusion of a \$280 million finance package in the State budget. This represents a return of only 10% of the total ERAF amount as well as expected growth in property tax revenues through increases in assessed valuation. One positive sign is that the governor has offered a fiscal relief package that contains \$24 million for cities. Unfortunately, this is only one third of the amount the League of California Cities is requesting for FY 1997-98. These bills represent the only opportunity this year to get funds back from the State for use by cities. If they pass, it would mean a return of property tax revenues to the City of Lodi of approximately \$175,000 in FY 97-98. There are no other potential infusions of this type of revenue we can anticipate.

Lodi staff has communicated with Assemblyman Larry Bowler in person and Senator Patrick Johnston's staff. They were urged to support these bills and not vote for the State budget if it lacks the \$280 million package for cities. Both representatives strongly support these bills. From the City of Lodi's perspective, the primary obstacle remaining is the Governor. Staff recommends that City Council approve the attached letter for submission to the Governor to reinforce our position regarding this matter.

FUNDING: N/A



Kirk J. Evans
Assistant to the City Manager

APPROVED: _____

H. Dixon Flynn -- City Manager

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July 2, 1997

The Honorable Pete Wilson
Governor
State of California
State Capitol
Sacramento, CA 95814

Dear Governor Wilson:

On behalf of the City Council of the City of Lodi, I am writing once again to urge your support of **AB 95 (Sweeney)**, and **SB 880 (Craven)**.

Every year more than \$1.1 million is diverted from the City of Lodi by the Educational Revenue Augmentation Fund (ERAF). In addition, the City loses any property tax growth that accrues over time.

We appreciate your recent proposal to provide a \$100 million fiscal relief package for local government. Your proposal acknowledges that local government in California requires an ERAF remedy. Unfortunately, this package would provide at most \$24 million for cities on a one-time basis. The City of Lodi can not use this package to provide meaningful change in our community. We need to know a sufficient and stable property tax revenue stream will be available in the future to cover our long-term commitments.

The League of California Cities is requesting a \$280 million finance package for all local governments to be included in the next state budget. This amount represents only ten percent of the total annual ERAF property tax transfer in California. Nevertheless, the League's request would provide significantly greater funding for cities than the amount contained in your proposal. By satisfying this request you would provide a stable revenue stream the City of Lodi could rely on in the future and use to budget for worthwhile change.

ERAF transfers have had several negative effects on the City of Lodi. Over the past six years - and continuing into the future - we have lost the opportunity to use these funds to provide parks, infrastructure maintenance, library programs, economic development programs, crime prevention, and other essential local services that help maintain strong neighborhoods and a healthy Lodi economy.

AB 95 (Sweeney) and **SB 880 (Craven)** attempt to address these issues through two components: freezing growth of ERAF transfers at 1996-97 levels, and reducing annual transfers by a schedule of unspecified percentages until the shift reaches zero.

Both houses of the California State Legislature and a broad coalition of business, labor, local government, and development interests support these measures.

On behalf of the City of Lodi, I respectfully urge your support for **AB 95 (Sweeney)** and **SB 880 (Craven)**. Thank you for considering this exceptionally important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip A. Pennino". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Phillip A. Pennino,
Mayor